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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
	)	

REPLY COMMENTS OF WORLDCOM

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January 10, 1997

SUMMARY

WorldCom urges the Commission to adopt many of the conclusions in the Recommended Decision, along with several important changes discussed in some of the hundreds of initial comments filed in this proceeding. In particular, the Commission should:

- o adopt the proposed competitive neutrality principle;
- o require universal service support for equal access to interexchange service;
- o limit universal service support in high cost areas to primary residential and business telephone lines;
- o adopt the statutory criteria for carrier eligibility to receive universal service funding, including carriers using unbundled or combined network elements under Section 251(c)(3) of the 1996 Act;
- o base all universal service support on the interstate carriers' total interstate and intrastate telecommunications revenues;
- o allow carriers to collect universal service contribution via an explicit end user retail surcharge;
- o adopt a proxy cost model based on forward-looking costs;
- o utilize a national affordability benchmark that (depending on the final choice of proxy cost model) would be based on either the nationwide average of total telecommunications revenues per line (including access and discretionary revenues) or a national average proxy cost;
- o prohibit carriers from disconnecting local service only for Lifeline subscribers who fail to pay their long distance bills;
- o reexamine the proposed excessive size of the schools and libraries fund, and refrain from

mandating universal service support for inside wiring;

- o limit universal service support to health care providers for those telecommunications services truly necessary for providing health care service;
- o refrain from adopting structural changes to the interstate access charge regime in this proceeding;
- o recognize that all local loop costs ultimately belong to the end user, and that the CCL in its present form is an implicit universal service support mechanism that must be eliminated.

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WorldCom, Inc. ("WorldCom")[1] hereby files its reply comments in response to initial comments submitted regarding the Recommended Decision adopted on November 7, 1996 by the Federal-State Joint Board on Universal Service ("Joint Board").[2] WorldCom filed extensive and comprehensive initial comments in this proceeding concerning the Recommended Decision, and will focus here on replying to discrete issues raised by other commenters.

I. THE COMMISSION SHOULD ADOPT A MODIFIED VERSION OF THE JOINT BOARD'S RECOMMENDED DECISION

A. Principles

There is near-unanimity among the commenters that competitive neutrality should be included as a fundamental principle to guide the Commission in establishing and implementing its new universal service regime.[3] The Western Alliance alone takes issue with

[1] WorldCom was formerly LDDS WorldCom and MFS Communications, Inc. These two companies completed a merger on December 31, 1996.

[2] Recommended Decision of the Federal-State Joint Board on Universal Service, CC Docket No. 96-45, FCC 96J-3, released November 8, 1996 ("Recommended Decision").

[3] See, e.g., CompTel Comments at 4; AT&T Comments at 4; MCI Comments at 1-2; Sprint Comments at 6; MFS Comments at 2-3; ALTS Comments at 3-5; Teleport Comments at 2-3; NCTA Comments at 11-15.

adoption of a competitive neutrality principle, labelling it unnecessary, inappropriate, and inconsistent with the Act.[4] The Western Alliance's puzzling opposition notwithstanding, the Commission should accept the recommendations of the Joint Board, and nearly every party to this proceeding, and adopt competitive neutrality as an additional universal service principle.

Inevitably, a few incumbent LECs try to put their own unique spin on the concept of competitive neutrality. These commenters argue that the principle requires that regulators treat all local carriers exactly the same, binding new competitive entrants to identical regulatory obligations,[5] and the same "effective obligation to serve,"[6] that the ILECs face. Needless to say, competitive neutrality does not mean that the FCC must regulate an entrenched monopolist in precisely the same manner as a newly capitalized entrant. Rather, as WorldCom points out in its comments, competitive neutrality should be viewed as requiring that all mechanisms for contributing to federal and state universal service funding, and ultimately providing universal service, must be equitable and nondiscriminatory, favoring no particular service provider, service, or technology. The Commission should reject any effort by certain parties to use the competitive neutrality principle to gain anticompetitive advantage in the market.

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[4] Western Alliance Comments at 4-14.

[5] Ameritech Comments at 8-9.

[6] GTE Comments at 14-18, 47-50.

B. Definition of Universal Service

In its initial comments, WorldCom advocated providing universal service support for equal access to interexchange service.[7] No commenter appears to oppose the inclusion of equal access; in fact, Ameritech specifically cites the importance of equal access and urges the Commission to support its adoption.[8] Another party, the Ad Hoc Committee, states that it has changed its mind and now supports the inclusion of equal access to IXC services.[9] Ad Hoc explains that the Joint Board's sole reason for declining to include equal access -- concern about the ability of CMRS providers to provide such service -- is unpersuasive.[10] WorldCom agrees.

WorldCom favors, and the Joint Board recommends, universal service support for the primary residential and business telephone lines in rural and high cost areas. Nonetheless, some commenters believe that <u>all</u> telephone lines should be included in the fund,[11] while others advocate giving support to all residential lines because it is difficult to distinguish between primary and secondary lines.[12] On the other hand, several parties argue that no business lines

[7] WorldCom Comments at 9-11.

[8] Ameritech Comments at 6-7.

[9] Ad Hoc Comments at 3-5.

[10] Ad Hoc Comments at 4-5.

[11] US West Comments at 26; GTE Comments at 77-83; Rural Telephone Coalition at 18-22; Western Alliance Comments at 14-23; Texas PUC Comments at 3-4.

[12] SBC Comments at 37-39; PacTel Comments at 19-20.

should be included because support is not necessary for businesses.[13] On balance, WorldCom believes that limiting universal service support in high cost areas to the primary residential line, and the primary business line, is a reasonable compromise that properly targets universal service support only where it is needed by those who live and work in high cost areas.

C. Carriers Eligible for Universal Service Support

Few parties dispute the Joint Board's recommendation that the Commission adopt the mandatory statutory criteria for determining eligibility to provide universal service, with no other obligations or conditions imposed on new entrants by the FCC and the states. There are, however, a few exceptions. USTA claims that the Commission should add to the statutory eligibility criteria by allowing states to deem eligible only those carriers that abide by the same pricing and provisioning requirements as the incumbent LECs.[14] Likewise, Ameritech insists that all carriers must have the same regulatory obligations, including carrier of last resort requirements, and endorses the so-called "pay or play" plan.[15] SBC argues that the Commission should adopt "additional criteria" that include symmetrical regulation of new entrants and incumbent carriers.[16] Finally, GTE states that an "effective obligation to serve"

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[13] Ameritech Comments at 8; ALTS Comments at 5-6; Teleport Comments at 3-4; Kentucky PSC Comments at 4.

[14] USTA Comments at 23-24.

[15] Ameritech Comments at 8-11.

[16] SBC Comments at 19.

should be an additional criterion.[17]

WorldCom urges the Commission to reject attempts to expand the clear language of Section 214(e)(1) of the 1996 Act. The Joint Board clearly recommends that neither the Commission nor the states should be allowed to adopt any eligibility criteria beyond the mandatory statutory criteria. The Joint Board correctly recognizes that any carrier that meets the statutory criteria shall be eligible to receive universal service support, and that conditioning eligibility on other, non-statutory requirements "would chill competitive entry into high cost areas."[18] WorldCom agrees, and strongly supports adoption of the Recommended Decision on this crucial point.

In its initial comments, WorldCom asks the Commission to clarify that providers of local service using unbundled network elements on either a bundled or unbundled basis, are eligible to receive support, and consequently that the ILEC should not be eligible to receive any support when providing unbundled network elements.[19] WorldCom explains that, by virtue of leasing and utilizing an ILEC's network elements, a carrier essentially becomes the provider of "facilities" as referenced in Section 214(e). Other parties agree with WorldCom;[20] in contrast, only one ILEC actually voices disagreement. Bell Atlantic argues that providers of service using

[17] GTE Comments at 14-18, 47-50.

[18] Recommended Decision at paras. 158, 156.

[19] WorldCom Comments at 14-15.

[20] CompTel Comments at 13-14; Sprint Comments at 21.

the ILECs' unbundled network elements are not "facilities-based" providers and should not be allowed to receive universal service funding.[21] Other ILECs argue that the ILEC and CLEC should divide the subsidy between them in some fashion when so-called "rebundlers" utilize the ILECs' unbundled network elements.[22] These arguments should be rejected as nothing more than feeble attempts, ex post facto, to diminish the import of Congress' adoption of Section 251(c)(3) of the Act.

D. Basis for Universal Service Support

Many of the states, and a few ILECs, claim that the Commission lacks statutory authority to use intrastate revenues as part of the total basis for universal service support,[23] and that using intrastate revenues discriminates against predominantly intrastate carriers such as the ILECs.[24] Most other commenters, however -- including several states -- join WorldCom in favoring the use of both interstate and intrastate revenues to support universal service.[25] These

[21] Bell Atlantic Comments at 3 n.7.

[22] SBC Comments at 22-23; PacTel Comments at 24-26.

[23] Bell Atlantic Comments at 4-6; NYNEX Comments at 12-17; SBC Comments at 18; Western Alliance Comments at 40-41; New York DPS Comments at 3-10; Illinois CC Comments at 7-8; Missouri PSC Comments at 2.

[24] Bell Atlantic Comments at 6-7.

[25] See Alaska PUC Comments at 10-11; Vermont PSB Comments at 1; USTA Comments at 17; Ameritech Comments at 36-37; BellSouth Comments at 9-10; PacTel Comments at 23-24; US West Comments at 19-20; GTE Comments at 65-70; RTC Comments at 27-32; CompTel Comments at 6-9; AT&T Comments at 5; MCI Comments at

commenters point out that using both sources of revenue is well within the FCC's authority under the 1996 Act;[26] comports with the intrastate nature of the services being supported;[27] recognizes the increasing difficulty of determining any meaningful jurisdictional distinctions;[28] and is otherwise required by the competitive neutrality principle.[29] Indeed, CompTel states that using only interstate revenues would disproportionately burden IXCs because RBOCs could shield 75% of their total resources from federal universal service obligations.[30] For all the reasons articulated in the comments, the Commission should utilize both interstate and intrastate revenues to support universal service.

Many parties support the Joint Board's recommendation that contributions to universal service be based on gross telecommunications revenues net payments to other carriers.[31] As TRA points out, this approach avoids the double payment problem, is

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10-11; Sprint Comments at 7-9; MFS Comments at 40; ALTS Comments at 9-13; CPI Comments at 6-11; NCTA Comments at 28-32; GSA Comments at 11.

[26] CompTel Comments at 6-9; AT&T Comments at 6.

[27] Sprint Comments at 7-9.

[28] BellSouth Comments at 10-11; US West Comments at 19-20.

[29] AT&T Comments at 5.

[30] CompTel Comments at 6-9.

[31] TRA Comments at 5; MFS Comments at 40-41; Teleport Comments at 11-12; NCTA Comments at 13-14.

competitively-neutral, and is relatively easy to implement.[32] A few ILECs object to the gross revenues method, however, claiming that such a basis is not competitively neutral because it discriminates against ILECs and favors "non-facilities-based" carriers.[33] These commenters support using gross retail revenues instead.[34] On balance, WorldCom believes that the contribution approach advocated by the Joint Board spreads the universal service support burden most equitably among all telecommunications carriers.

However, in suggesting a contribution mechanism based on gross revenues net payments to other carriers, the Joint Board appears to suggest that carriers are barred from utilizing an end user surcharge to actually collect universal service contribution.[35] In its initial comments, WorldCom argues that use of an explicit retail surcharge is required by the language and intent of the 1996 Act.[36] To the extent the Joint Board actually raises the issue, which is unclear,[37] nearly all commenters agree with WorldCom that the Commission must allow, or

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[32] TRA Comments at 5-10.

[33] USTA Comments at 15; NYNEX Comments at 18-20; GTE Comments at 32-40; SBC Comments at 16.

[34] USTA Comments at 15; Bell Atlantic Comments at 10-11; BellSouth Comments at 11-13; NYNEX Comments at 4; SBC Comments at 14; PacTel Comments at 19; US West Comments at 42.

[35] Recommended Decision at para. 812.

[36] WorldCom Comments at 40-41.

[37] See, e.g., CompTel Comments at 14, 16 (it is unclear whether the Joint Board makes a recommendation concerning the utilization of a customer surcharge).

even require, carriers to utilize an end user surcharge to recover universal service funding.[38]

In particular, parties explain that an end user retail surcharge is required by the Act as an explicit subsidy,[39] would be competitively neutral,[40] and avoids both unconstitutional confiscation and denial of First Amendment rights.[41] The California PUC argues that retail surcharges are a competitively neutral way to collect revenues, and observes that three existing universal service programs in California now utilize end user surcharges.[42] Moreover, several ILECs assert that the Commission cannot forbid nondominant carriers from utilizing whatever collection methods they choose because their rates are not regulated by the FCC or states, as the ILECs' are.[43] In short, the record is clear that the Commission's authority to forbid carriers -- especially nondominant carriers -- from using end user surcharges is highly dubious. The Commission should clarify that carriers are free to utilize -- and states are free to adopt -- end

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[38] Ameritech Comments at 35; USTA Comments at 22-23; Bell Atlantic Comments at 8-10; BellSouth Comments at 15; NYNEX Comments at 5, 22-25; PacTel Comments at 20-23; US West Comments at 45-47; GTE Comments at 34-42; RTC Comments at 36; CompTel Comments at 14; AT&T Comments at 8; MFS Comments at 12-13; Ad Hoc Comments at 25.

[39] USTA Comments at 22-23; BellSouth Comments at 15; PacTel Comments at 20-23; SBC Comments at 11; AT&T Comments at 8; MFS Comments at 12-13.

[40] BellSouth Comments at 15; SBC Comments at 11.

[41] Ameritech Comments at 35 n.57; NYNEX Comments at 21; PacTel Comments at 21; SBC Comments at 13; GTE Comments at 42. See also CompTel Comments at 16-17.

[42] California PUC Comments at 13-15.

[43] NYNEX Comments at 22 n.31; SBC Comments at 13; GTE Comments at 36-37.

user surcharges to collect universal service contribution.

E. High Cost Fund

1. Proxy Cost Models and Forward-Looking Costs

While a few ILECs oppose the use of proxy models altogether,[44] most parties strongly support using some form of proxy model.[45] Some commenters favor the Hatfield model and oppose adoption of the BCM2 model,[46] while others favor BCM2 and CPM and reject Hatfield.[47] Although WorldCom believes that the Hatfield model may meet most of the Joint Board's criteria, the Commission has already indicated that it will review the current models more closely in upcoming workshops.[48] While WorldCom supports such a review as necessary, one unfortunate result is that parties are being asked now to comment on a host of complicated and interwoven issues without the benefit of empirical data generated by a selected proxy model. The Commission must recognize that, to some degree, specific positions taken

[44] Ameritech Comments at 12; Bell Atlantic Comments at 12; Western Alliance Comments at 32-39.

[45] Ohio PUC Comments at 7; California PSC Comments at 8-9; Texas PUC Comments at 5-6; CompTel Comments at 10; AT&T Comments at 14; MCI Comments at 2-3; Sprint Comments at 4; MFS Comments at 20; ALTS Comments at 7-9; Ad Hoc Comments at 6.

[46] AT&T Comments at 14; MCI Comments at 3-7; Ad Hoc Comments at 10.

[47] USTA Comments at 13-14; US West Comments at 32-42; GTE Comments at 58; Sprint Comments at 5; Ohio PUC Comments at 7.

[48] See WorldCom Comments at 17-18.

in this proceeding necessarily have been reached in a vacuum, based in large part on expectations of how costs and revenues will be defined and measured. Should those expectations change significantly as this proceeding continues, the Commission should expect a similar shift in the parties' respective views on the issues.

Most parties in this proceeding also join WorldCom in supporting the use of forward-looking costs to calculate universal service support.[49] Again, some ILECs oppose the use of forward-looking costs. For example, USTA claims the "regulatory contract" requires that the ILECs be able to recover all embedded costs,[50] while PacTel states that ILECs should be able to recover their "legacy costs."[51] Other ILECs seek full recovery through universal service of their "actual costs."[52] These parties are dead wrong. In the Joint Board's words, basing support on the ILECs' embedded costs "could jeopardize the provision of universal service."[53] A forward-looking cost standard best replicates the conditions of a competitive marketplace and ensures efficient market entry -- results the ILECs are loathe to face.

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[49] CompTel Comments at 10; AT&T Comments at 14; MCI Comments at 2-3; Sprint Comments at 4; MFS Comments at 20-21; ALTS Comments at 6; Teleport Comments at 5-6; Ad Hoc Comments at 6-10; ITI Comments at 3; Ohio PUC Comments at 7.

[50] USTA Comments at 12.

[51] PacTel Comments at 6-8.

[52] GTE Comments at 27-31; Bell Atlantic Comments at 12-13; SBC Comments at 23-26; RTC Comments at 2-3.

[53] Recommended Decision at para. 45.

2. National Benchmark

Almost all parties agree that a national benchmark should be adopted.[54] Many parties further support the Joint Board's recommendation that the Commission use nationwide average revenues per line, and agree that the benchmark should include all local, access, and discretionary revenues.[55] However, some parties oppose using any "revenues per line" approach,[56] while others resist the Board's recommendation that the Commission include all access and discretionary revenues in addition to those revenues directly attributable to basic local service.[57] For example, Texas and a few ILECs argue that, to the extent implicit subsidies remain in access and discretionary services, it would violate the Act to include these in the benchmark.[58] MCI argues that the benchmark should only incorporate mandatory revenues per line because customers with below-average usage of access and discretionary services will not cover the full cost of the local loop.[59] Others claim that the revenues-based approach essentially is a backward-looking benchmark that creates a mismatch between actual historical

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[54] USTA Comments at 10; Ameritech Comments at 14; GTE Comments at 19; CompTel Comments at 11; MCI Comments at 8; Sprint Comments at 18; MFS Comments at 24.

[55] Ameritech Comments at 14; Bell Atlantic Comments at 15-16; CompTel Comments at 11-12; ALTS Comments at 9; Teleport Comments at 6-7; Ad Hoc Comments at 11-13.

[56] US West Comments at 28.

[57] USTA Comments at 10-11; PacTel Comments at 17-18; GTE Comments at 20.

[58] Texas PUC Comments at 7; USTA Comments at 10-11; SBC Comments at 34; GTE Comments at 20-25.

[59] MCI Comments at 9-10.

cost revenue and theoretical future costs,[60] especially where the costs of those services are not included in universal service costs,[61] and thus overestimates revenues and understates support needed.[62]

A few commenters offer alternatives to the revenues-based benchmark. Sprint suggests setting the benchmark at the national average urban basic local service rate, including the SLC and excluding access and discretionary services.[63] MFS criticizes the revenues-based approach and argues that the benchmark should be based on the national average proxy cost.[64]

In its initial comments, WorldCom supports a national affordability benchmark and states that, should the Commission adopt a benchmark based on national average revenues, it should include all local, vertical, and access revenues. At the same time, WorldCom shares the Joint Board's stated concerns about the revenues-based approach, especially in comparison with an alternative method tied to nationally averaged proxy cost.[65] As the comments reveal, parties are far from united on this issue. This fundamental disagreement is heightened by the fact that, as discussed above, the Joint Board was unable to recommend a specific cost

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[60] RTC Comments at 23-24.

[61] USTA Comments at 11.

[62] PacTel Comments at 16; GTE Comments at 19-20; New York PSC Comments at 10.

[63] Sprint Comments at 18-20.

[64] MFS Comments at 24-26.

[65] WorldCom Comments at 20-21.

methodology for adoption. Without hard data, it is difficult to determine what benchmark approach is most equitable, competitively neutral, and otherwise consistent with the Act. While the revenues-based approach has some advantages, it is unclear at this time whether another approach, such as the national average proxy cost approach, would prove superior. Thus, WorldCom believes the Commission should seek further comments on this specific point once its proxy model workshops have been completed.

F. Support for Low Income Consumers

Many parties oppose the Joint Board's proposal to prohibit disconnection of local service for Lifeline subscribers that fail to pay their long distance bills. These parties insist that this "no disconnect" rule is unwarranted by any evidence, beyond the FCC's authority, and will cause many problems, including increased IXC uncollectibles.[66] Ameritech calls the decision a "license to steal,"[67] while GTE claims it represents a "hidden subsidy" that IXCs will be required to pay.[68] On the other hand, AT&T, Sprint, and MFS do not oppose imposition of a "no disconnect" rule for low income subscribers, so long as it is implemented in conjunction with support for voluntary toll limitation and blocking services.[69] While WorldCom shares the

[66] USTA Comments at 33; PacTel Comments at 31-37; SBC Comments at 8-9; GTE Comments at 85-87; MCI Comments at 12-13.

[67] Ameritech Comments at 16.

[68] GTE Comments at 85-87.

[69] AT&T Comments at 15-16; Sprint Comments at 18; MFS Comments at 27-28.

well-founded concerns of Ameritech and others opposed to any type of "no disconnect" rule, a narrowly-tailored rule applicable only to Lifeline recipients appears to be a reasonable compromise. The Commission should adopt the Joint Board's recommendation on this issue.[70]

G. Support for Schools and Libraries

Several parties observe that the proposed annual fund of $2.25 billion is far too high; in particular, NYNEX believes that $1.5 billion per year is a more reasonable goal,[71] while AT&T states that $1 billion per year would be more realistic.[72] AT&T suggests that a per-institution cap should be adopted, along with the total fund cap, to ensure that all schools and libraries have an equitable chance to receive adequate funding.[73] WorldCom agrees with the commenters' concerns about the excessive size of the fund, and believes the Commission should reexamine the questionable rationale for the final figure selected by the Joint Board. AT&T's proposal to require a per-institution cap makes eminent sense as a means of assuring that all schools and libraries have a realistic opportunity to receive adequate funding.

[70] One possible alternative could be to prohibit local carriers from disconnecting access to certain critical services, such as "911" (emergency service) and "611" (telephone repair service) for those Lifeline subscribers who fail to pay their long distance bills. This option would create a necessary safety net for the Lifeline subscriber, while at the same time offering more protection to long distance companies than a blanket "no disconnect" requirement.

[71] NYNEX Comments at 39.

[72] AT&T Comments at 20-21.

[73] AT&T Comments at 21.

Almost all commenters, including many state commissions, steadfastly oppose the inclusion of funding for inside wiring and other internal connections.[74] WorldCom agrees with those commenters that the Commission lacks statutory authority to include inside wiring because it is not a regulated telecommunications service. Additionally, as RTC observes, the funding necessary to support inside wiring alone easily could exceed the total cap in the initial years of the program.[75] WorldCom also agrees with MFS' point that, should inside wiring be subsidized, competitors must have equal access to that inside wiring.[76]

H. Support for Health Care Providers

Most parties agree with WorldCom that the Commission can only provide support for telecommunications services truly "necessary" for providing health care services to patients.[77] Several commenters point out correctly that this category does not include bedside

[74] Illinois CC Comments at 8; USTA Comments at 34-35; Ameritech Comments at 20; Bell Atlantic Comments at 21; SBC Comments at 43-50; PacTel Comments at 37-44; GTE Comments at 89-97; RTC Comments at 37-38; 42-43; AT&T Comments at 18-21; Sprint Comments at 12-14; MFS Comments at 30-32; ALTS Comments at 16-18; Ad Hoc Comments at 31-32.

[75] RTC Comments at 43.

[76] MFS Comments at 32-33.

[77] USTA Comments at 39; Ameritech Comments at 28; Bell Atlantic Comments at 19-20; BellSouth Comments at 40; PacTel Comments at 55; AT&T Comments at 24; MCI Comments at 18-19.

telephones,[78] or enhanced services.[79] As in the schools and libraries area, AT&T advocates an overall cap on the fund, as well as a per-institution cap.[80] WorldCom agrees that caps on the total fund, and on individual institutions, would be prudent.

Like WorldCom, commenters find no record or statutory support for the Joint Board's suggestion that the carriers should provide universal service funding for the construction of network upgrades or infrastructure buildouts.[81] The Commission should reject any suggestion of universal service support for these types of non-universal service functions.

I. Interstate Subscriber Line Charges and Carrier Common Line Charges

Many parties comment that it is wholly inappropriate for the Joint Board to consider structural access charge issues in this proceeding, and that the Commission should undertake all such changes in its interstate access charge reform proceeding.[82] WorldCom makes the same point in its comments, and urges the Commission to refrain from adopting structural changes to its access charge rules in the context of this proceeding. Further, as

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[78] Ameritech Comments at 28; SBC Comments at 10.

[79] AT&T Comments at 24.

[80] AT&T Comments at 25.

[81] BellSouth Comments at 45; PacTel Comments at 58-60; AT&T Comments at 25-26; MCI Comments at 19; NCTA Comments at 24.

[82] Bell Atlantic Comments at 22; US West Comments at 23; CompTel Comments at 17-18; MFS Comments at 33-36; Teleport Comments at 10-11.

several competitive carriers remind the Commission, the new universal service rules should not take effect before access charge reform is completed, so that ILECs are not allowed to double recover access and universal service subsidies.[83] MFS also makes the cogent point that access charge reform must be completed prior to RBOC entry into the in-region long distance market.[84]

Commenters agree with WorldCom that the Commission should make certain fundamental findings about the universal service subsidies now entrenched in access charges. Ameritech makes the compelling observation that, at a basic level, all local loop costs belong to the end user customer, and this fact should be reflected in future decisions about the structure of access charges.[85] Parties observe that the CCL is an economically inefficient mechanism that must be eliminated or drastically reduced.[86] AT&T and PacTel both agree that the CCL is a true universal service support mechanism that recovers the end user's costs by charging them to the service provider, rather than to the actual cost causer who purchases the subscriber line.[87] Many commenters indicate that the SLC is a fully justifiable fee and therefore should

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[83] AT&T Comments at 28-29; MCI Comments at 16.

[84] MFS Comments at 34.

[85] Ameritech Comments at 18.

[86] USTA Comments at 19; GTE Comments at 41; AT&T Comments at 10-12; MCI Comments at 15-16; Ad Hoc Comments at 22-28; GSA Comments at 3-4.

[87] PacTel Comments at 29; AT&T Comments at 10-11. Teleport alone claims that the CCL is not a universal service mechanism. Teleport Comments at 10-11.

not be decreased.[88] Finally, parties agree with WorldCom that the SLC and CCL should not split the decrease in payphone and LTS because those costs relate to the CCL, not the SLC.[89]

II. CONCLUSION

The Commission should act in accordance with the recommendations proposed above, and in the initial comments filed by WorldCom in this proceeding.

Respectfully submitted,

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[88] USTA Comments at 19; US West Comments at 21; GTE Comments at 40; AT&T Comments at 12. Other parties go further and call for an increase in the SLC to recover NTS loop costs currently being recovered by the CCL. US West Comments at 21; Sprint Comments at 15-16; Ad Hoc Comments at 22-28.

[89] Ameritech Comments at 18; Bell Atlantic Comments at 22-23; BellSouth Comments at 4 n.9; PacTel Comments at 27-29; SBC Comments at 35; MCI Comments at 14-15.

CERTIFICATE OF SERVICE

I, Cecelia Y. Johnson, hereby certify that I have this 10th day of January, 1997, sent a copy of the foregoing "Comments of LDDS WorldCom" by hand delivery, or first class mail, postage prepaid, to the following:

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